

FINANCIAL STATEMENT
WITH SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2015

FINANCIAL STATEMENT WITH SUPPLEMENTARY INFORMATION REGULATORY BASIS

Year Ended December 31, 2015

TABLE OF CONTENTS

	<u>Schedule</u>	<u>Page</u>
Independent Auditor's Report		1 - 3
Financial Statement:		
Summary Statement of Receipts, Expenditures and Unencumbered Cash		4 - 5
Notes to Financial Statement		6 - 19
Supplementary Information:		
Summary of Expenditures - Budget and Actual	1	20
Schedule of Receipts and Expenditures - Budget and Actual: General Fund Law Enforcement Fund Special Highway Fund Special Parks and Recreation Fund Transient Guest Tax Fund Sponsorship Fund Water Development Fee Fund Sewer Development Fee Fund Electric Utility Investment Fund Enhancement Community Fountain Fund Bond and Interest Fund Capital Projects Fund Capital Improvements Fund CDBG Fund Water System Fund Sewer System Fund Refuse System Fund Shop Fund Shughart Trust Fund	2	21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39
Summary of Receipts and Disbursements – Agency Funds	3	40





INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council City of De Soto, Kansas:

Report on the Financial Statement

We have audited the summary statement of regulatory basis receipts, expenditures, and unencumbered cash of the City of De Soto, Kansas (the City) as of and for the year ended December 31, 2015 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 2 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and applicable provisions of the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statement, the financial statement is prepared by the City to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2015, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City as of December 31, 2015, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 2.

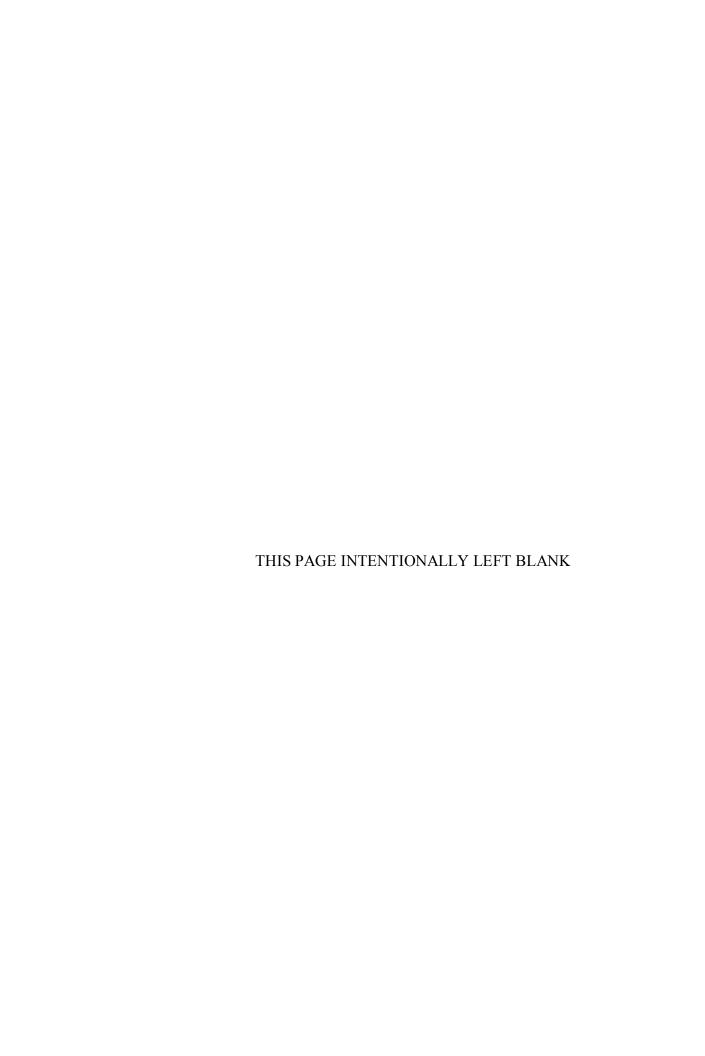
Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (the basic financial statement) as a whole. The schedules listed under supplementary information in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 2.

Berberich Trahan & Co., P.A.

March 30, 2016 Topeka, Kansas



SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH REGULATORY BASIS

Funds	Une	Beginning Unencumbered Cash Balance				
General fund	\$	773,129	\$	_		
Special purpose funds:						
Law enforcement		21,000		-		
Special highway		3,393		-		
Special parks and recreation		4,738		-		
Transient guest tax		11,215		-		
Sponsorship		10,868		-		
Water development fee			-			
Sewer development fee		46,550 1,614,162		-		
Electric utility investment			-			
Enhancement community fountain		990		-		
Bond and interest fund		587,494		-		
Capital project funds:						
Capital projects		54,407		-		
Capital improvements		352,616		-		
CDBG		-		-		
Business funds:						
Water system		422,533		-		
Sewer system		224,893		-		
Refuse system		27,653		-		
Shop		(7,378)		-		
Shughart trust fund		23,164		-		
Total reporting entity (excluding agency fund)	\$	4,218,135	\$	-		

	Receipts	Receipts Expenditures		U	Ending nencumbered Cash Balance	En	Add: outstanding cumbrances d Accounts Payable	Ending Cash Balance		
\$	3,023,515	\$	2,935,465	\$	861,179	\$	12,826	\$	874,005	
	446,613		438,811		28,802		107,800		136,602	
	156,990		156,000		4,383		-		4,383	
	25,293		23,000		7,031		-		7,031	
	25,839		18,000		19,054		-		19,054	
	3,779		1,843		12,804		-		12,804	
	18,900		45,000		20,608		-		20,608	
	15,000		40,000		21,550		-		21,550	
	69,880		141,158		1,542,884		-		1,542,884	
	-		-		990		-		990	
	1,282,747		1,313,718		556,523		-		556,523	
	56,796		51,333		59,870		-		59,870	
	12,601,363		9,649,617		3,304,362		-		3,304,362	
	200,000		200,000		-		-		-	
	1,325,130		1,131,948		615,715		7,824		623,539	
	453,723		433,611		245,005		14,057		259,062	
	405,897		404,738		28,812		-		28,812	
	130,100		125,283		(2,561)		2,600		39	
	248				23,412		-		23,412	
\$	20,241,813	\$	17,109,525	\$	7,350,423	\$	145,107	\$	7,495,530	
1	Great American Ban Checking account ICS (insured cash Certificates of dep Tri-Century Bank - Great Southern Bank Kansas Municipal In	ts sweep) posit checking a k - checki	ng account					\$	(43,219) 4,317,779 3,045,904 35,718 157,229	
	Total cash Agency fund per	Schedule	3						7,513,426 (17,896)	
	Total reporting en	ntity (evch	uding agency fund)					\$	7,495,530	

NOTES TO FINANCIAL STATEMENT

December 31, 2015

1 - <u>Municipal Financial Reporting Entity</u>

The City of De Soto, Kansas (the City) is a municipal corporation governed by a mayor and five-member council. The financial statement presents the City as the primary government. The City has no related municipal entities.

2 - <u>Summary of Significant Accounting Policies</u>

(a) Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The Kansas Municipal Audit and Accounting Guide (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the regulatory basis of accounting.

(b) Regulatory Basis Fund Types

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

NOTES TO FINANCIAL STATEMENT (Continued)

2 - <u>Summary of Significant Accounting Policies (Continued)</u>

(b) Regulatory Basis Fund Types (Continued)

The following regulatory basis fund types comprise the financial activities of the City for the year ended December 31, 2015:

<u>General Fund</u> is used to account for the general operations of the City and is used to account for all unrestricted resources except those required to be accounted for in other funds.

<u>Special Purpose Funds</u> are used to account for the proceeds of specific tax levies and other specific revenue sources (other than major capital projects and tax levies for long-term debt) that are intended for specified purposes.

<u>Bond and Interest Fund</u> is used to account for the accumulation of resources, including tax levies, transfers from other funds, and payment of general long-term debt.

<u>Capital Project Funds</u> are used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

Business Funds are financed in whole or in part by fees charged to users of the goods or services.

<u>Trust Funds</u> are used to report assets held in trust for the benefit of the City.

Agency Funds are used to report assets held by the City in a purely custodial capacity.

NOTES TO FINANCIAL STATEMENT (Continued)

2 - <u>Summary of Significant Accounting Policies (Continued)</u>

(c) <u>Budgetary Information</u>

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), the bond and interest fund, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

- 1. Preparation of the budget for the succeeding calendar year on or before August 1st.
- 2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
- 3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
- 4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. The City had no budget amendments for the year ended December 31, 2015.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each budgeted fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for certain special purpose funds, capital project funds, trust funds, or agency funds.

NOTES TO FINANCIAL STATEMENT (Continued)

2 - <u>Summary of Significant Accounting Policies (Continued)</u>

(c) <u>Budgetary Information (Continued)</u>

Spending in funds which are not subject to the legal annual operating budget requirements are controlled by Federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

All budgets must be filed with the County Clerk by August 25th. The County Clerk must calculate the final tax levy rates necessary to finance the budget subject to any legal limitations. After all budgets have been received and tax rates calculated, the County Clerk certifies the tax roll to the County Treasurer, who prepares tax statements and receives payment.

These taxes become a lien against all property on November 1st. Taxpayers have the option of paying in full or in two installments. The delinquency dates are December 20th and May 10th. Delinquent taxes are assessed interest at 12% per annum. This interest is retained by the County.

Taxes levied to finance the budget are made available to the City after January 1st and are distributed by the County Treasurer approximately every month and a half. At least 50% of the taxes levied are available in January. Delinquent tax collections are distributed throughout the year.

The County Treasurer is the tax collection agent for all taxing entities within the County. The initial distribution to the subdivisions, including the City, is on or before January 20th of the ensuing year. Additional amounts are distributed on four subsequent dates throughout the calendar year.

(d) Annual Personal and Sick Leave Benefits

Under the terms of the City's personnel policy, City employees are granted annual personal and sick leave in varying amounts.

Full-time employees accrue vacation each year at the following rates:

One to four years of service – ten days
Five to nine years of service – fifteen days
Ten to fourteen years of service – twenty days
Fifteen to nineteen years of service – twenty-five days
Twenty or more years of service – thirty days

NOTES TO FINANCIAL STATEMENT (Continued)

2 - <u>Summary of Significant Accounting Policies (Continued)</u>

(d) Annual Personal and Sick Leave Benefits (Continued)

Employees cannot carry over more than one half of the annual entitlement for the year in which it was earned. Upon termination or resignation, an employee on regular status shall be compensated for all authorized accumulated unused vacation leave.

(e) <u>Inventories and Prepaid Expenses</u>

Inventories and prepaid expenses which benefit future periods are recorded as an expenditure during the year of purchase.

(f) <u>Use of Estimates</u>

The preparation of the financial statement in compliance with the regulatory basis requires management to make estimates and assumptions that affect the reported amounts of encumbrances at the date of the financial statement and the reported amounts of expenditures during the reporting period. Actual results could differ from those estimates.

3 - Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool (the KMIP). The City has no investment policy that would further limit its investment choices.

NOTES TO FINANCIAL STATEMENT (Continued)

3 - <u>Deposits and Investments (Continued)</u>

Some of the City's investments are of bond proceeds invested pursuant to K.S.A. 10-131. This statute allows additional investment authority beyond that of K.S.A. 12-1675. Investments of bond proceeds may follow K.S.A. 12-1675 or include other investments such as the KMIP, direct obligations of the U.S. government or any agency thereof, and various other investments as specified in K.S.A. 10-131.

At December 31, 2015, the City has the following investments:

Investment Type	Fai	r Value	Rating
Kansas Municipal Investment Pool	\$	15	S&P AAAf/S1+

The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest by the U.S. government or any agency thereof, with maturities up to four years. No more than ten percent of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers.

Concentration of credit risk. State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The City's investments were composed entirely of money market deposit accounts (ICS), KMIP deposits, and certificates of deposit as of the fiscal year ended December 31, 2015.

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Kansas statutes require the deposits be collateralized, and that collateral pledged must have a fair market value equal to 100% of the deposits and investments, less insured amounts, and must be assigned for the benefit of the City.

NOTES TO FINANCIAL STATEMENT (Continued)

3 - <u>Deposits and Investments (Continued)</u>

At December 31, 2015, the City's carrying amount of deposits was \$7,513,426 and the bank balance was \$7,693,620. The full amount of the bank balance was covered by federal depository insurance.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

4 - Defined Benefit Pension Plan

Plan Description. The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas Avenue, Suite 100, Topeka, Kansas 66603) or by calling 1-888-275-5737.

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contributions rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2, or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2, and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

NOTES TO FINANCIAL STATEMENT (Continued)

4 - <u>Defined Benefit Pension Plan (Continued)</u>

State law provides that the employer contribution rates for KPERS 1, KPERS 2, and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 0.85% contribution rate for Death and Disability Program) and the statutory contribution rate was 9.48% for the fiscal year ended December 31, 2015. Contributions to the pension plan from the City were \$ 163,067 for the year ended December 31, 2015.

Net Pension Liability

At December 31, 2015, the City's proportionate share of the collective net pension liability reported by KPERS was \$ 1,218,912. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014, which was rolled forward to June 30, 2015. The City's proportion of the net pension liability was based on the ratio of the City's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at www.kpers.org or can be obtained as described above.

NOTES TO FINANCIAL STATEMENT (Continued)

5 - Long-Term Debt

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for general government activities.

Changes in long-term debt for the City for the year ended December 31, 2015 were as follows:

Issue	Interest Rates	Date of Issue	Date of Final Maturity	Original Amount Issued	Bala	Balance Beginning of Year		Additions Reductions/ Payments			Balance End of Year		 Interest Paid
General obligation bond	ls:												
Series 2003 A	2.00% - 4.00%	4/15/2003	9/1/2017	\$ 1,180,000	\$	80,000	\$	-	\$	25,000	\$	55,000	\$ 3,125
Series 2005 A	3.75% - 4.38%	10/15/2005	9/1/2032	9,000,000		8,460,000		-	8	8,460,000		-	344,356
Series 2009 A	4.10% - 5.25%	4/14/2009	9/1/2039	1,320,000		1,320,000		-		-		1,320,000	65,191
Series 2010 A	1.00% - 4.30%	4/28/2010	9/1/2030	1,285,000		1,140,000		-		40,000		1,100,000	44,203
Series 2010 B	6.00%	4/28/2010	9/1/2035	710,000		710,000		-		-		710,000	42,600
Series 2010 C	6.50% - 7.00%	12/7/2010	9/1/2040	1,080,000		1,080,000		-		-		1,080,000	73,700
Series 2010 D	4.60%	12/7/2010	9/1/2027	85,000		85,000		-		-		85,000	3,910
Series 2012 A	2.00% - 3.30%	6/6/2012	9/1/2034	4,475,000		4,110,000		-		330,000		3,780,000	93,973
Series 2013 A	2.30% - 5.00%	9/19/2013	9/1/2043	1,015,000		995,000		-		20,000		975,000	44,485
Series 2015 A	2.00% - 4.00%	7/24/2015	9/1/2045	9,635,000		_		9,635,000		-		9,635,000	30,215
Series 2015 B	0.85% - 4.00%	7/31/2015	9/1/2035	1,765,000				1,765,000		-		1,765,000	 4,232
					\$	17,980,000	\$ 1	1,400,000	\$ 8	8,875,000	\$	20,505,000	\$ 749,990

NOTES TO FINANCIAL STATEMENT (Continued)

5 - <u>Long-Term Debt (Continued)</u>

Annual debt service requirements to maturity for the general obligation bonds are as follows:

											Year								
		2016		2017		2018		2019		2020	2021 - 2025	2026 - 2030	2	2031 - 2035	20	36 - 2040	2041 - 2045		Total
Principal:																			
General obligation bo	onds:																		
Series 2003 A	\$	25,000	\$	30,000	\$	-	\$	-	\$	-	\$ -	\$ -	\$	-	\$	-	\$ -	\$	55,000
Series 2009 A		-		-		-		-		-	240,000	305,000		385,000		390,000	-		1,320,000
Series 2010 A		40,000		40,000		40,000		45,000		45,000	245,000	645,000		-		-	-		1,100,000
Series 2010 B		-		-		-		-		-	-	-		710,000		-	-		710,000
Series 2010 C		-		-		-		-		-	-	235,000		385,000		460,000	-		1,080,000
Series 2010 D		-		-		-		-		-	-	85,000		-		-	-		85,000
Series 2012 A		280,000		285,000		325,000		330,000		335,000	1,485,000	460,000		280,000		-	-		3,780,000
Series 2013 A		20,000		20,000		20,000		20,000		20,000	120,000	150,000		185,000		245,000	175,000		975,000
Series 2015 A		425,000		430,000		435,000		440,000		445,000	2,345,000	2,545,000		1,125,000		655,000	790,000		9,635,000
Series 2015 B		75,000		75,000		75,000		75,000		75,000	415,000	475,000		500,000		-			1,765,000
Total principal		865,000		880,000		895,000		910,000		920,000	4,850,000	4,900,000		3,570,000	1	,750,000	965,000	2	0,505,000
Interest:																			
General obligation bo	onds:																		
Series 2003 A	\$	2,175	\$	1,200	\$	-	\$	-	\$	-	\$ -	\$ -	\$	-	\$	-	\$ -	\$	3,375
Series 2009 A		65,191		65,191		65,191		65,191		65,191	306,835	246,722		164,329		52,456	-		1,096,297
Series 2010 A		43,303		42,263		41,063		39,783		38,253	165,643	84,580		-		-	-		454,888
Series 2010 B		27,690		27,690		27,690		27,690		27,690	138,450	138,450		86,386		-	-		501,736
Series 2010 C		40,536		40,536		40,536		40,536		40,536	202,680	191,952		133,700		54,544	-		785,556
Series 2010 D		3,910		3,910		3,910		3,910		3,910	19,550	5,060		-		-	-		44,160
Series 2012 A		87,373		81,773		76,073		69,573		62,973	214,951	78,563		24,735		-	-		696,014
Series 2013 A		44,025		43,565		43,105		42,645		42,185	199,425	172,075		132,975		81,750	17,750		819,500
Series 2015 A		293,988		285,488		276,888		268,188		259,388	1,091,840	703,540		340,515		227,782	94,357		3,841,974
Series 2015 B		49,150		48,513		47,875		46,938		46,000	203,300	140,775		56,775		-			639,326
Total interest		657,341		640,129		622,331		604,454		586,126	2,542,674	1,761,717		939,415		416,532	112,107		8,882,826
Total principal and interest	\$	1,522,341	\$	1,520,129	\$	1,517,331	\$	1,514,454	\$	1,506,126	\$ 7,392,674	\$ 6,661,717	•	4,509,415	\$ 3	2,166,532	\$1,077,107	\$ 2	9,387,826
merest	φ	1,344,341	φ	1,320,129	φ	1,511,51	φ	1,314,434	φ	1,500,120	ψ 1,392,014	ψ 0,001,/1/		7,202,713	φ 4	,100,332	Ψ1,0//,10/	φ 2	7,567,620

NOTES TO FINANCIAL STATEMENT (Continued)

5 - <u>Long-Term Debt (Continued)</u>

Refunding

In the current year, the City issued Series 2015 A General Obligation Refunding Bonds in the amount of \$9,635,000 of which \$8,185,000 was used to currently refund \$8,145,000 of the outstanding balance of the Series 2005 A General Obligation Bonds. The refunding transaction resulted in an economic gain of \$867,667 and a decrease in the future debt service payments of \$1,064,433.

Conduit Debt Obligations

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State of Kansas, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying notes to the financial statement. As of December 31, 2015, there was one series of Industrial Revenue bonds outstanding, with a principal balance of \$ 3,500,000.

NOTES TO FINANCIAL STATEMENT (Continued)

6 - <u>Interfund Transfers</u>

A reconciliation of transfers by fund type for 2015 follows:

From	То	Regulatory Authority	Amount
Water System Fund	General Fund	K.S.A. 12-825d	\$ 40,000
Water Development Fee Fund	Bond and Interest Fund	K.S.A. 12-825d	45,000
Sewer Development Fee Fund	Bond and Interest Fund	K.S.A. 12-825d	40,000
Capital Improvement Fund	Bond and Interest Fund	K.S.A. 12-825d	26,592
Water System Fund	Bond and Interest Fund	K.S.A. 12-825d	92,610
Sewer System Fund	Bond and Interest Fund	K.S.A. 12-825d	70,000
Special Highway Fund	Bond and Interest Fund	Bond Ord 2168	35,000
Capital Projects Fund	Bond and Interest Fund	Bond Ord 2168	35,000
General Fund	Capital Improvement Fund	K.S.A. 12-1118	327,902
Special Highway Fund	Capital Improvement Fund	K.S.A. 12-1118	121,000
Special Parks Fund	Capital Improvement Fund	K.S.A. 12-1118	23,000
CDBG Fund	Capital Improvement Fund	K.S.A. 12-1118	200,000
Electric Utility Investment Fund	Capital Improvement Fund	K.S.A. 12-1118	62,309

7 - Other Post-Employment Benefits

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the City under this program.

NOTES TO FINANCIAL STATEMENT (Continued)

8 - <u>Lease Agreement</u>

The City continues to operate the water treatment plant at the former Sunflower Army Ammunition Plant, now owned by private developer Sunflower Redevelopment, LLC. The City's use is pursuant to a perpetual lease agreement dated July 29, 2005. Pursuant to a Real Estate Transfer Agreement dated July 29, 2005 between the City and Sunflower Redevelopment, LLC, the City will receive fee title interest to the treatment plant as soon as the land receives a CERCLA Covenant pursuant to 42 U.S.C. § 9620(h)(3)(A)(ii). The City initiated improvements to the water treatment plant site in 2010; the improvements included a back-up electrical generator, the installation of new electrical service to the plant, and a new water main leading from the plant to the City's distribution system. Construction was completed in 2011. The City, in conjunction with the City of Baldwin, City of Wellsville, and Douglas County Rural Water District #4, completed a broader water facilities study in 2012. The study evaluated the concept and costs of creating a regional wholesale water supply district. Proceeding with the creation of a regional wholesale water supply district does not appear feasible at the present time due to the City of Baldwin deciding not to participate.

9 - Interfund Balances

The Electric Utility Investment Fund has advanced money to the General Fund and Water Fund for the purchase of vehicles in the amount of \$301,846 which includes \$78,849 advanced during 2015. The General Fund and Water Fund paid the Electric Utility Investment Fund \$44,879 in 2015 for repayment of the vehicle advance. The balance of the advance remaining at December 31, 2015 was \$172,484.

10 - Commitments and Contingencies

The City receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass-through aid. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial statement of the City as of December 31, 2015.

NOTES TO FINANCIAL STATEMENT (Continued)

11 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which it carries commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have not been significant reductions in coverage from prior years.



SUMMARY OF EXPENDITURES - BUDGET AND ACTUAL REGULATORY BASIS (BUDGETED FUNDS ONLY)

			istments for	Total	Expenditures	Variance
	Certified	Qualifying Budget Credits		Budget for	Chargeable to	Over
Fund	Budget			Comparison	Current Year	(Under)
General fund Special purpose funds:	\$ 3,234,109	\$	-	\$ 3,234,109	\$ 2,935,465	\$ (298,644)
Law enforcement	440,954		-	440,954	438,811	(2,143)
Special highway	156,000		-	156,000	156,000	-
Special parks and recreation	23,000		-	23,000	23,000	_
Transient guest tax	18,000		-	18,000	18,000	-
Sponsorship	4,850		-	4,850	1,843	(3,007)
Water development fee	45,000		-	45,000	45,000	-
Sewer development fee	40,000		-	40,000	40,000	-
Bond and interest fund	1,737,460		-	1,737,460	1,313,718	(423,742)
Business funds:						
Water system	1,408,241		-	1,408,241	1,131,948	(276,293)
Sewer system	484,189		-	484,189	433,611	(50,578)
Refuse system	440,400			440,400	404,738	(35,662)
Totals	\$ 8,032,203	\$		\$ 8,032,203	\$ 6,942,134	

GENERAL FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL REGULATORY BASIS

Year Ended December 31, 2015

	Budget	Actual	Va	riance Over (Under)
Receipts and transfers:				
Property taxes	\$ 589,553	\$ 598,424	\$	8,871
Sales and use taxes	1,308,000	1,281,246		(26,754)
Intergovernmental	15,000	13,116		(1,884)
Licenses and permits	36,550	66,822		30,272
Franchise fee	626,000	571,227		(54,773)
Charges for services	86,100	84,574		(1,526)
Use of money and property	61,200	58,718		(2,482)
Fines and fees	306,500	302,289		(4,211)
Miscellaneous	1,750	1,538		(212)
Interest income	6,000	5,561		(439)
Transfers in	 40,000	 40,000		
Total receipts and transfers	\$ 3,076,653	3,023,515	\$	(53,138)
Expenditures, encumbrances, and transfers:				
Personal services	\$ 1,757,266	1,622,823	\$	(134,443)
Contractual services	1,105,389	662,064		(443,325)
Commodities	316,875	276,675		(40,200)
Capital outlay	54,579	46,001		(8,578)
Transfers out	 · -	 327,902		327,902
Total expenditures, encumbrances, and transfers	\$ 3,234,109	 2,935,465	\$	(298,644)
Receipts and transfers over expenditures, encumbrances, and transfers		88,050		
Unencumbered cash, beginning		773,129		
Unencumbered cash, ending		\$ 861,179		

(Continued)

LAW ENFORCEMENT FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL REGULATORY BASIS (Continued)

Year Ended December 31, 2015

	 Budget	 Actual	riance Over (Under)
Receipts: Property taxes	\$ 440,421	\$ 446,613	\$ 6,192
Expenditures and encumbrances: Contractual services Capital outlay	\$ 437,954 3,000	438,811	\$ 857 (3,000)
Total expenditures and encumbrances	\$ 440,954	438,811	\$ (2,143)
Receipts over expenditures and encumbrances		7,802	
Unencumbered cash, beginning		21,000	
Unencumbered cash, ending		\$ 28,802	

(Continued)

SPECIAL HIGHWAY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL REGULATORY BASIS (Continued)

	 Budget	Actual	Variance Over (Under)		
Receipts: Intergovernmental	\$ 150,930	\$ 156,990	\$	6,060	
Transfers: Transfers out	\$ 156,000	156,000	\$		
Receipts over transfers		990			
Unencumbered cash, beginning		3,393			
Unencumbered cash, ending		\$ 4,383			

SPECIAL PARKS AND RECREATION FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL REGULATORY BASIS (Continued)

Year Ended December 31, 2015

	 Budget	Actual	Variance Over (Under)		
Receipts: Intergovernmental Charges for services	\$ 15,750 13,000	\$ 13,256 12,037	\$	(2,494) (963)	
Total receipts	\$ 28,750	25,293	\$	(3,457)	
Transfers: Transfers out	\$ 23,000	 23,000	\$		
Receipts over transfers		2,293			
Unencumbered cash, beginning		4,738			
Unencumbered cash, ending		\$ 7,031			

(Continued)

TRANSIENT GUEST TAX FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL REGULATORY BASIS (Continued)

	Budget		Actual		Variance Over (Under)	
Receipts: Intergovernmental	\$	17,000	\$	25,839	\$	8,839
Expenditures: Contractual services	\$	18,000		18,000	\$	<u>-</u>
Receipts over expenditures				7,839		
Unencumbered cash, beginning				11,215		
Unencumbered cash, ending			\$	19,054		

SPONSORSHIP FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL REGULATORY BASIS (Continued)

	Budget		Actual		Variance Over (Under)	
Receipts: Charges for services	\$	5,700	\$	3,779	\$	(1,921)
Expenditures: Contractual services Commodities	\$	4,850		853 990	\$	853 (3,860)
Total expenditures	\$	4,850		1,843	\$	(3,007)
Receipts over expenditures				1,936		
Unencumbered cash, beginning				10,868		
Unencumbered cash, ending			\$	12,804		

WATER DEVELOPMENT FEE FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL REGULATORY BASIS (Continued)

_		Budget		Actual		ance Over Under)
Receipts: Charges for services	\$	15,000	\$	18,900	\$	3,900
Transfers: Transfers out	\$	45,000		45,000	\$	
Receipts under transfers				(26,100)		
Unencumbered cash, beginning				46,708		
Unencumbered cash, ending			\$	20,608		

SEWER DEVELOPMENT FEE FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL REGULATORY BASIS (Continued)

	Budget		Actual		Variance Ove (Under)	
Receipts: Charges for services	\$	25,000	\$	15,000	\$	(10,000)
Transfers: Transfers out	\$	40,000		40,000	\$	
Receipts under transfers				(25,000)		
Unencumbered cash, beginning				46,550		
Unencumbered cash, ending			\$	21,550		

ELECTRIC UTILITY INVESTMENT FUND*

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL REGULATORY BASIS (Continued)

Receipts:	
Interest income	\$ 22,205
Charges for services	47,675
Total receipts	69,880
Expenditures and transfers:	
Capital outlay	78,849
Transfers out	62,309
Total expenditures and transfers	141,158
Receipts under expenditures and transfers	(71,278)
Unencumbered cash, beginning	1,614,162
Unencumbered cash, ending	\$ 1,542,884

^{*} This fund is not required to be budgeted.

ENHANCEMENT COMMUNITY FOUNTAIN FUND*

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL REGULATORY BASIS (Continued)

Unencumbered cash, beginning	\$ 990
Unencumbered cash, ending	\$ 990

^{*} This fund is not required to be budgeted.

BOND AND INTEREST FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL REGULATORY BASIS (Continued)

Year Ended December 31, 2015

	Budget		Actual		Variance Over (Under)	
Receipts and transfers:						
Taxes	\$	975,426	\$	883,047	\$	(92,379)
Miscellaneous		44,613		44,566		(47)
Interest income		5,000		2,751		(2,249)
Special assessments		344,925		8,181		(336,744)
Transfers in		317,610		344,202		26,592
Total receipts and transfers	\$	1,687,574		1,282,747	\$	(404,827)
Expenditures:						
Bond principal	\$	690,000		730,000	\$	40,000
Interest expense		714,185		583,718		(130,467)
Cash basis reserve		260,877		-		(260,877)
Special assessments		72,398				(72,398)
Total expenditures	\$	1,737,460		1,313,718	\$	(423,742)
Receipts and transfers under expenditures				(30,971)		
Unencumbered cash, beginning				587,494		
Unencumbered cash, ending			\$	556,523		

(Continued)

CAPITAL PROJECTS FUND*

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL REGULATORY BASIS (Continued)

Receipts:	
Intergovernmental	\$ 30,463
Miscellaneous	26,333
Total receipts	56,796
Expenditures and transfers:	
Miscellaneous	16,333
Transfers out	35,000
Total expenditures and transfers	51,333
Receipts over expenditures and transfers	5,463
Unencumbered cash, beginning	54,407
Unencumbered cash, ending	\$ 59,870

^{*} This fund is not required to be budgeted.

CAPITAL IMPROVEMENTS FUND*

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL REGULATORY BASIS (Continued)

Receipts and transfers:	
Intergovernmental	\$ 74,571
Bond proceeds	11,400,000
Bond premiums	392,581
Transfers in	734,211
Total receipts and transfers	12,601,363
Expenditures and transfers:	
Capital outlay	1,057,375
Bond principal	8,145,000
Interest expense	166,272
Miscellaneous	254,378
Transfer out	 26,592
Total expenditures and transfers	9,649,617
Receipts and transfers over expenditures and transfers	2,951,746
Unencumbered cash, beginning	352,616
Unencumbered cash, ending	\$ 3,304,362

^{*} This fund is not required to be budgeted.

CDBG FUND*

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL REGULATORY BASIS (Continued)

Receipts: Grant proceeds	\$ 200,000
Transfers: Transfers out	200,000
Receipts over transfers	-
Unencumbered cash, beginning	
Unencumbered cash, ending	\$ -

^{*} This fund is not required to be budgeted.

WATER SYSTEM FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL REGULATORY BASIS (Continued)

Year Ended December 31, 2015

	Budget		Actual		Variance Ove (Under)	
Receipts: Sales to consumers	\$	1,471,958	\$	1,325,130	\$	(146,828)
Sules to consumers	Ψ	1,471,730	Ψ	1,323,130	Ψ	(140,020)
Expenditures, encumbrances, and transfers:						
Personal services		501,599		503,015		1,416
Contractual services		407,000		264,933		(142,067)
Commodities		355,363		219,721		(135,642)
Capital outlay		11,669		11,669		-
Transfer out		132,610		132,610		
Total expenditures, encumbrances, and transfers	\$	1,408,241		1,131,948	\$	(276,293)
Receipts over expenditures, encumbrances, and trans	sfers			193,182		
Unencumbered cash, beginning				422,533		
Unencumbered cash, ending			\$	615,715		

(Continued)

SEWER SYSTEM FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL REGULATORY BASIS (Continued)

Year Ended December 31, 2015

	Budget		Actual		Variance Over (Under)	
Receipts: Charges for services	\$	453,782	\$	453,723	\$	(59)
Expenditures, encumbrances, and transfers:						
Personal services	\$	137,239		137,422	\$	183
Capital outlay		-		253		253
Contractual services		196,000		173,640		(22,360)
Commodities		80,950		52,296		(28,654)
Transfers out		70,000		70,000		<u> </u>
Total expenditures, encumbrances, and transfers	\$	484,189		433,611	\$	(50,578)
Receipts over expenditures, encumbrances, and trans	sfers			20,112		
Unencumbered cash, beginning				224,893		
Unencumbered cash, ending			\$	245,005		

(Continued)

REFUSE SYSTEM FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL REGULATORY BASIS (Continued)

	 Budget	Actual	Variance Over (Under)		
Receipts: Sales to consumers	\$ 435,650	\$ 405,897	\$	(29,753)	
Expenditures: Contractual services	\$ 440,400	404,738	\$	(35,662)	
Receipts over expenditures		1,159			
Unencumbered cash, beginning		27,653			
Unencumbered cash, ending		\$ 28,812			

SHOP FUND*

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL REGULATORY BASIS (Continued)

\$ 130,100
119,858
4,536
 889
 125,283
4,817
(7,378)
\$ (2,561)

^{*} This fund is not required to be budgeted.

SHUGHART TRUST FUND*

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL REGULATORY BASIS (Continued)

Year Ended December 31, 2015

Receipts:
Interest income

\$ 248

Unencumbered cash, beginning 23,164

Unencumbered cash, ending \$ 23,412

^{*} This fund is not required to be budgeted.

AGENCY FUNDS

SUMMARY OF RECEIPTS AND DISBURSEMENTS REGULATORY BASIS

Fund	Beginning Cash Balance		Receipts		Disbursements		Ending Cash Balance	
IRB fund Municipal court fund	\$ 3,058 14,246	\$	- 19,470	\$	- 18,878	\$	3,058 14,838	
	\$ 17,304	\$	19,470	\$	18,878	\$	17,896	